

**AGENDA REPORT**

June 10, 2019

**TO:** Chairman and Board of Directors

**FROM:** Susan Bell, General Manager

**SUBJECT:** Consideration of Ordinance No. 42 Adopting Sewer User Rates and Charges.

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**RECOMMENDATION:**

1. Open the Public Hearing and hear public testimony.
2. Consider written property owner protests and close the public hearing.
3. If less than 3713 written protests were received, by motion, adopt Ordinance No. 42:

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE ROSSMOOR/LOS ALAMITOS AREA SEWER DISTRICT ESTABLISHING SEWER USER RATES AND CHARGES

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**SITUATION:**

A. Summary.

The attached ordinance establishes sewer user rates and charges to be collected annually on the tax rolls. The ordinance is necessary to raise sufficient revenue to operate, maintain, replace and upgrade the District's sewage collection system to make sure that it has adequate capacity and compliance with the Waste Discharge Requirements of the Santa Ana Regional Water Quality Control Board.

B. Background.

The County Water District Law, Water Code 30000 et seq., the District's enacting law, grants the District Board the authority to adopt ordinances relating to the provision of sewer services and facilities, and regulations of those services and facilities. Water Code 31101 specifically authorizes the District Board to prescribe, revise and collect rates or other charges for the services and facilities furnished by the District. In addition, Health & Safety Code Section 5470 et seq. authorizes the District to adopt fees and charges for the acquisition, construction, reconstruction, maintenance, and operation of sanitary sewer system facilities. Health & Safety Code 5473 further authorizes the District to collect its

sewer fees and charges on the tax roll in the same manner and at the same time as the general taxes of the District.

Since its formation in 1952, the District has raised revenue strictly through permit fees and property taxes. With the passage of Proposition 13 in 1978, which capped the ad valorem property tax for properties in the State to 1% of assessed value, the District's tax revenue has been capped. There is no opportunity to raise revenue in the form of higher property taxes.

In addition to having its tax revenues capped, in 2002 the Regional Water Quality Control Board for the Santa Ana Region adopted Order R8-2002-0014, which prescribes general waste discharge requirements prohibiting sanitary sewer overflows and other maintenance and operational requirements by sewer collection agencies (Waste Discharge Requirements). The Waste Discharge Requirements mandate that the District operate its sanitary sewer system, and replace its infrastructure in the manner necessary to prevent sewage spills. Due to the age and aging District infrastructure and increased construction costs, the District's tax base is no longer sufficient to maintain an appropriate reserve and continue to operate and maintain the District's infrastructure pursuant to the Waste Discharge Requirements going forward.

As required by the California Constitution as amended by Proposition 218 in 2006, the District commissioned a study by Tuckfield & Associates (Tuckfield) to identify the appropriate level of sewer user rates and charges required to properly operate and maintain the District's sanitary sewer system in compliance with the Waste Discharge Requirements and to establish an appropriate level of reserves for unforeseen events and emergencies. Tuckfield prepared a Comprehensive Sewer Service User Fee and Charges Study which identifies the appropriate level of rates using the Equivalent Dwelling Unit methodology (EDU). This Study identifies the estimated funds necessary to operate, maintain, replace and upgrade the District's sewage collection system to adequate capacity and make repairs mandated through the Waste Discharge Requirements.

The Tuckfield Study recommends setting the fees based upon the four major classes of sanitary sewer system users discharging wastewater to the District's sanitary sewer system. These four major classes of sanitary users are:

- Single-Family Residential
- Multi-Family Residential
- Mobile Home Park
- Non-Residential, which includes commercial, industrial, institution (including public and private schools), and governmental (including other public facilities).

For residential customers, the proposed rates are structured on the basis of units of service, referred to individually as an EDU. The EDU system ensures that sewer service fees are proportional to the availability and demand for sewer services. Parcels are assigned EDUs based on property usage, and charged for sewer services on a per-EDU basis.

An EDU is the quantity of wastewater that an average single-family residential customer contributes to the wastewater system.

EDUs for multi-family residential and business customers are based on their expected quantity of wastewater discharged relative to an average single-family residential customer. For residential users, service charges are based on the flow of the dwelling unit, whereas for non-residential user's service charges are based on the flow per 1,000 square feet (s.f.) of building space related back to one EDU. EDU levels are based upon available data, industry standards, and best professional estimates by engineers and consultants of the District.

Based on the Tuckfield Study, the ordinance establishes the following rates for the next five years:

Use Type	Charge Basis	Proposed Annual Wastewater Services Charges				
		FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
One Residence	Per unit	\$31.17	\$31.17	\$31.17	\$31.17	\$31.17
Multi-Unit Residence	Per unit	\$24.94	\$24.94	\$24.94	\$24.94	\$24.94
Mobile Home Park	Per unit	\$15.59	\$15.59	\$15.59	\$15.59	\$15.59
Non-Residential	Per 1,000 s.f.	\$29.09	\$29.09	\$29.09	\$29.09	\$29.09

If adopted, the foregoing rates will be collected on the tax rolls from properties connected to the District's sewer system commencing with Fiscal year 2019-2020.

Pursuant to Proposition 218, the District sent notice of a public hearing to all property owners within the District of each parcel within the District that would be charged the new rates and charges as shown on the County Recorder's Assessment Roll. The notice was mailed on March 25, 2019. The notice set a public hearing for June 10, 2019, at 7:00 p.m. at the District's Board Room. At the conclusion of the public hearing, the Board must consider property owner written protests against the adoption of the rates and charges. If more than 50% of property owners submitted written protests against the adoption of the new rates and charges, the Board will not be permitted to adopt the ordinance. The Assessment Roll shows 7425 parcels within the District. Consequently, the District must receive at least 3713 protests to prevent the Board from adopting the ordinance.

Once adopted, the ordinance must be published in a newspaper of general circulation in the District within 10 days. The ordinance becomes effective immediately upon adoption, but collection of the new rates and charges cannot begin until 30 days after its passage.

Respectfully submitted,

Susan Bell  
General Manager

Attachments:

1. Ordinance No. 42, establishing sewer user rates and charges
2. Notice of Public Hearing
3. April 2019 Tuckfield & Associates Report on Comprehensive Sewer Service User Fee and Charges Rate Study